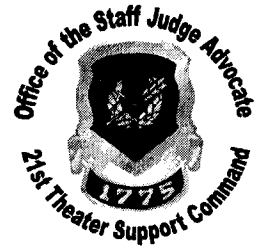


FCC Tax Issues Handout



Please note that this Information Paper only provides basic information and is not intended to serve as a substitute for personal consultations with a Legal Assistance Attorney.

If you are a Family Child Care (“FCC”) provider, there are a few things that you need to know about regarding your income taxes. For example, under the terms of the German-American Agreement on Social Security, Americans who are self employed in Germany (such as FCC providers) should not continue to contribute to the American social security system. Instead, they need to apply for a CERTIFICATE of COVERAGE under the German social security system. This certificate will exempt Americans from having to pay American social security tax on their earnings as an FCC provider.

The German social security system is different from the American system in that those covered by the German system can decide whether or not to contribute. If they do not contribute, then they will not receive any benefits. If you do contribute, then there are several steps involved in transferring these contributions over to the American system.

Q: WHAT DO I NEED TO DO TO APPLY FOR A CERTIFICATE OF COVERAGE?

A: The procedures in applying for the certificate vary depending upon whether you have applied for the certificate before.

1. First Time Applicants – fill out section B of the Bundesversicherungsanstalt für Angestellte form. You will also need to fill out form SSA-4121-W GER (7-90). After completing both forms, mail them via German post to: Bundesversicherungsanstalt fuer Angestellte, DEZ 5010 BKZ 5017, 10704 Berlin.
2. Applicants who have previously applied – fill out section A of Bundesversicherungsanstalt für Angestellte and fill out form SSA-4121-W GER (7-90). After completing both forms, mail them via German post to: Bundesversicherungsanstalt fuer Angestellte, DEZ 5010 BKZ 5017, 10704 Berlin.

Copies of all necessary forms can be provided by the Legal Assistance Office or the Tax Center.

Q: WHAT HAPPENS AFTER I APPLY FOR THE CERTIFICATE OF COVERAGE?

A: After submitting your forms to Berlin, the BfA will issue a certificate of coverage back to the address that you provided.

Q: WHEN SHOULD I APPLY FOR THE CERTIFICATE OF COVERAGE?

A: You should apply early in the tax season, January if possible. This will ensure that you receive your certificate in advance of the deadline for filing your US Federal Income Tax return.

Q: WHY DO I NEED A CERTIFICATE OF COVERAGE?

A: You need the certificate of coverage in order to file your US Federal Income Tax return. The certificate indicates that you are covered under the German system and therefore you will be exempt from paying into the American system.

Q: IS THERE ANYTHING ELSE I NEED TO DO WHEN FILING MY FEDERAL TAX RETURN REGARDING MY STATUS AS AN FCC PROVIDER?

A: As previously stated, you need to obtain the certificate of coverage before you file your federal return. You will also need a copy of Tax Schedule SE with "EXEMPT" written across it and Tax Schedule C or C-EZ listing your income and expenses. It is important to note that FCC providers CANNOT file their returns electronically. You must file a paper copy with the IRS.

If you have any questions feel free to contact the Legal Assistance office or contact the Tax Center during the tax season. The Legal Assistance office is located on Kelley Barracks and their contact numbers are DSN: 421-4152 or CIV: 0711-729-4152.

REVIEWED BY: CPT Michael Watts, Chief, Client Services

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